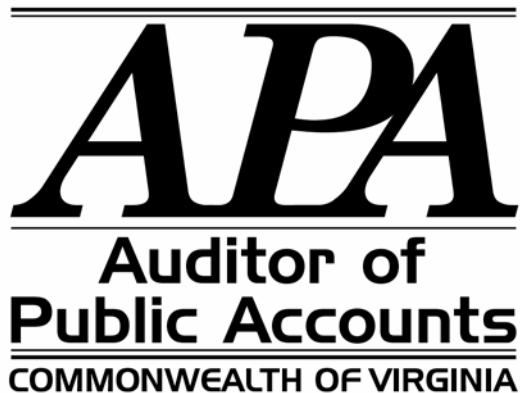


COMMONWEALTH HEALTH RESEARCH BOARD

REPORT ON AUDIT

FOR THE PERIOD

JULY 1, 2004 THROUGH JUNE 30, 2006



AUDIT SUMMARY

Our audit of the Commonwealth Health Research Board for the period July 1, 2004, through June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Commonwealth Health Research Board (the Board) provides financial support, in the form of grants, donations, or other assistance, for health research that will have potential health benefits for citizens of the Commonwealth. The Board awards and administers grants from the Commonwealth Health Research Fund to state agencies, Virginia colleges and universities, and certain non-profit organizations. The Department of Accounts provides administrative and accounting support and the Virginia Retirement System invests and manages the funds. Research eligible for grant funding includes traditional medical and biomedical research as to the cause and cure of diseases, as well as research related to health services and delivery of health care. The Board gives priority to research projects in which Board support can provide leverage to receive contributions from other sources.

The Board has specific guidelines and procedures for researchers submitting grant proposals. These requirements assist the Board in evaluating research proposals and determining final grant recipients. The Board announces grant recipients in the spring for research funding that begins in July. Grantees and their sponsoring institutions sign grant agreements with the Board that define their obligations.

Institutions receiving funding must provide 33 percent matching funds. This increases the total amount of funds for each project. The Board disburses 75 percent of the grant funds to the recipient upon signing of the grant agreement and the remaining 25 percent after the Board approves the final scientific and financial reports that document the outcome of the research and the use of the funds.

Beginning in Fiscal 2004, the Board established two-year grant agreements, thereby, providing funds over a two-year period for certain projects. These grants have a \$200,000 total limit with a \$100,000 per year limit. The disbursement of these grants is similar to one-year grants in that grantee receives 75 percent of each year's funding at July 1 and the subsequent 25 percent at the end of the year or final completion of the project.

Financial Operations

The invested balance of the Commonwealth Health Research Fund at June 30, 2006, was \$29.2 million. This balance is an increase of approximately 3.6 percent from the year end balance of Fiscal 2005. Since the Board's inception, they have awarded 89 grants totaling \$5.9 million.

For Fiscal 2005, the Board approved 10 grants totaling \$763,675 with matching funds of \$302,557 provided by the institutions receiving grants. These grants went to researchers from Norfolk State University, Eastern Virginia Medical School, University of Virginia, Virginia Commonwealth University, George Mason University, Sweet Briar College, Lynchburg College, and James Madison University. Four of the grants were two-year grant agreements.

For Fiscal 2006, the Board approved 12 grants totaling \$954,058 with matching funds of \$451,983 provided by the institutions receiving grants. These grants went to researchers from Norfolk State University, Eastern Virginia Medical School, University of Virginia, University of Richmond, and Virginia Commonwealth University. Four of the grants were two-year grant agreements.

The Board made actual grant payments totaling \$847,908 and \$658,370 in fiscal 2005 and 2006, respectively, representing both initial and final award payments. In fiscal 2006, the Board had personnel related expenses of \$51,684 and other administrative expenses totaling \$26,669.



Walter J. Kucharski, Auditor

Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 6, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Commonwealth Health Research Board** for the two years ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Board's internal controls and test compliance with applicable laws and regulations.

AUDIT SCOPE AND METHODOLOGY

The Commonwealth Health Research Board's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenue
Expenditures

We performed audit tests to determine whether the Board's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection

of documents, records, and contracts, and observation of the Board's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

CONCLUSIONS

We found that the Commonwealth Health Research Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commonwealth Health Research Board records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on June 6, 2007.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

SLM/whb

AGENCY OFFICIALS

COMMONWEALTH HEALTH RESEARCH BOARD

S. Lawrence Kocot, Chairman

David L. Bernd

George E. Broman

Jan Burruss

Robert S. Call

Kamlesh N. Dave

Mark J. Werner

Anne Pace, Administrator